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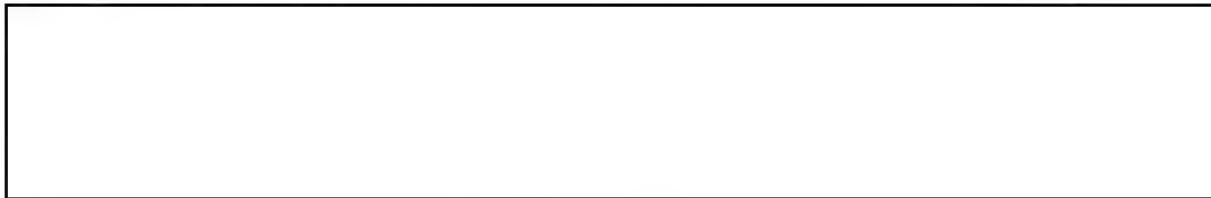
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S U M M A R Y

S O V I E T U N I O N

- ✓ 1. USSR seeks to regain "peace" initiative (page 3).



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S O U T H E A S T A S I A

- ✓ 3. French agree to repatriate Chinese Nationalist troops in Indochina (page 4).
✓ 4. Thailand reluctant to aid French without UN assurances (page 5).
✓ 5. Cambodians reportedly plan revolt (page 5).

N E A R E A S T - A F R I C A

6. Mossadeq to exploit police chief's murder politically (page 6).



25X1

W E S T E R N E U R O P E

8. Italy receives tempting trade offers from Orbit countries (page 7).

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SOVIET UNION

1. USSR seeks to regain "peace" initiative:

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Ambassador Bohlen interprets Soviet Foreign Minister Molotov's remarks on a five-power peace pact as an attempt to buttress the Pravda reply to President Eisenhower's 16 April speech.

The Ambassador considers Molotov's generalities an evasion of the specific points advanced by the President as a basis for settlement of world issues.

Comment: Further evidence of sensitivity to loss of ground in the "peace" offensive is apparent in Orbit comment on the Pravda editorial. This material is devoted to praise of the Soviet "initiative," and to accusations that the United States continues to seek world domination.

Polish and Hungarian propaganda particularly attacked the President's "unsolicited . . . concern" for the East European peoples. Subsequent declarations by Secretary Dulles and Under Secretary Smith were cited as being in "striking contrast" to Eisenhower's peace appeals.

The Hungarian and Austrian Communist press selected isolated Western reactions to support the theme that the West should seize every opportunity to take concrete measures in answer to the Soviet "peace" offers.

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SOUTHEAST ASIA

3. French agree to repatriate Chinese Nationalist troops in Indochina:

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Taipei authorities are to be informed by the French Embassy that France is willing to permit the repatriation to Formosa of some 30,000 Chinese Nationalists interned in Indochina. The Chinese must provide sea transport, and the movement, which must be completed by the end of May because of the weather, must be in secret.

On 26 April the French commander in Indochina told Admiral Radford that he had no objection to the plan. The admiral intimated to the American Charge in Saigon that his command might be able to provide shipping.

Comment: These internees, who sought refuge in Indochina in late 1949, have been the subject of protracted negotiations between Paris and Taipei. Some 26,700 of them are officially classified as soldiers and approximately half of these are believed to be physically fit for immediate military service.

The French have been reluctant to repatriate them for fear of antagonizing Peiping. This attitude is apparently reflected in the demand for secrecy in moving such a large group.

- 4 -

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4. Thailand reluctant to aid French without UN assurances:

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The Thai Foreign Minister, in reply to a French request, said his government would permit the evacuation of French and Laotian officials through Thailand. He was disinclined to favor the movement of supplies on the basis of the French request alone, but stated that he was certain Thailand would "willingly cooperate" if it were under United Nations auspices.

He noted that participation in a UN effort would give Thailand assurance of American support in case of Viet Minh aggression.

Comment: The French reportedly have asked Bangkok for the use of two air bases in northeast Thailand to supply their forces in Laos.

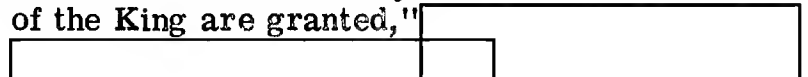
The Thai Prime Minister had previously expressed to the American Ambassador his "disappointment" at French failure to place the Viet Minh aggression against Laos before the United Nations.

5. Cambodians reportedly plan revolt:

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The Cambodian King and his government are actively plotting to lead an open revolt against the French within 15 days unless the "demands of the King are granted,"



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General Salan requested the American Charge in Saigon to ask Secretary Dulles to intervene with the King, who is now in Tokyo en route home, and to point out the extreme danger of the contemplated action.

- 5 -

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Comment: Resentment against the French among Cambodian officials and the public has been increasing recently and plans for an uprising may exist. Despite the King's recent demands that the French grant greater autonomy, it seems unlikely that he would lend his indispensable support to a general uprising.

French authorities in Indochina have circulated reports in Cambodia that the United States deplores the King's anti-French statements.

NEAR EAST - AFRICA

6. Mossadeq to exploit police chief's murder politically:

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Iranian police have compiled 1,200 pages of evidence involving prominent politicians in the murder of General Afshartus, police chief of Tehran, Foreign Minister Fatemi told Ambassador Henderson on 26 April. Those involved, all political opponents of Prime Minister Mossadeq, include Mullah Kashani, Deputies Baghai and Qanatabadi, and several retired army officers.

According to Fatemi, Afshartus was seized and drugged while trying to arrange an understanding between Mossadeq and Baghai. Kashani's son allegedly drove the unconscious Afshartus to a cave, where he was strangled a few days later.

Comment: The incident will probably be fully exploited by Mossadeq in an effort to destroy his opposition. Thirty-six persons, including Kashani's son, reportedly have already been arrested. Generals Zahedi and Hejazi, previously implicated in a plot to overthrow Mossadeq, are being sought.

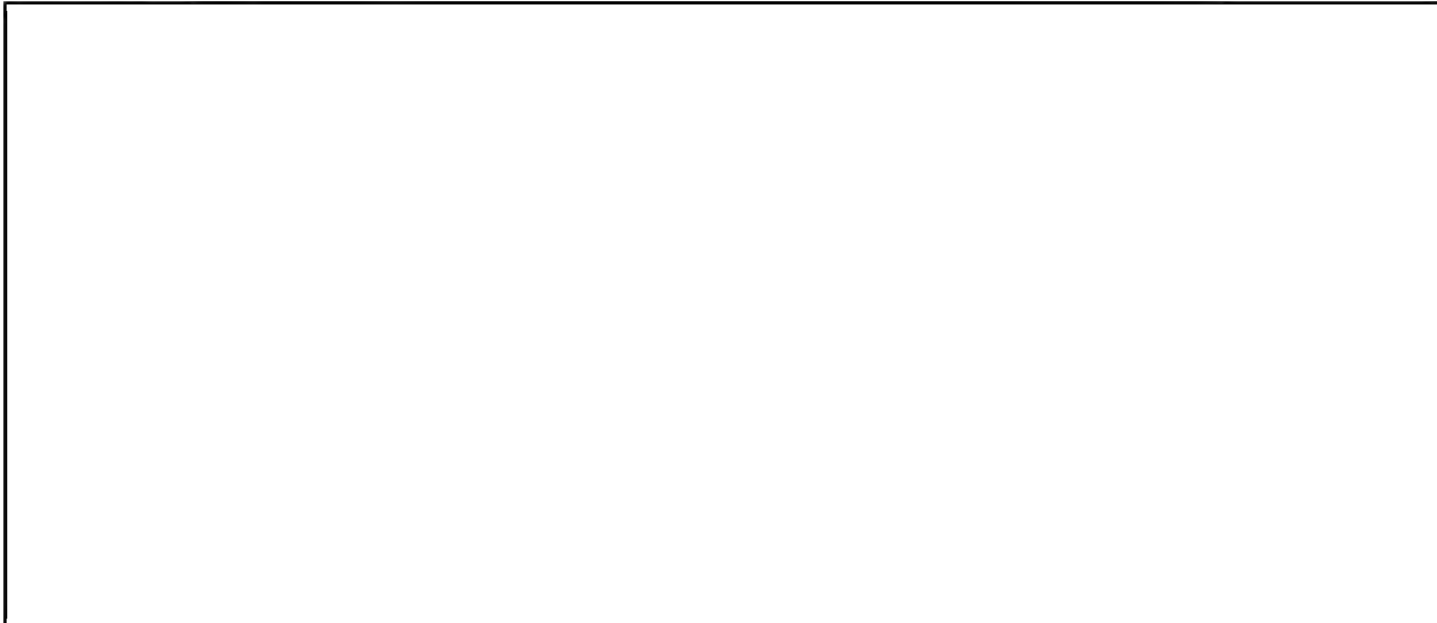
Outbursts of violence can be expected, particularly if charges are pressed against Kashani and Baghai, who have a strong following in the bazaars.

- 6 -

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WESTERN EUROPE

8. Italy receives tempting trade offers from Orbit countries:

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The Italian delegate to the meetings of the UN Economic Commission for Europe states that the Soviet representative has offered to renew the 1952 trade agreement, which gave Italy very favorable terms. In addition the Soviet official suggested that the USSR might supply other commodities desired by Italy in exchange for cargo ships, tug boats, and cranes, all of which are International List II items. The Czech representative also offered prospects of a considerable increase in trade provided embargoed items are included.

The Italian delegate believes that "unfortunate" political repercussions in Italy would follow any refusal by his government to consider these and other Orbit trade offers.

Comment: The Italian Government is under considerable pressure from businessmen and the Communists to permit increased trade with Orbit countries. The Soviet and Satellite offers may become an important issue in the present electoral campaign, especially because of continued high unemployment in the industries involved.

- 7 -

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